

**CITY OF MILFORD**  
**INDEPENDENT AUDITORS' REPORTS**  
**PRIMARY GOVERNMENT**  
**BASIC FINANCIAL STATEMENTS**  
**SUPPLEMENTARY AND OTHER INFORMATION**  
**SCHEDULE OF FINDINGS**

**JUNE 30, 2014**

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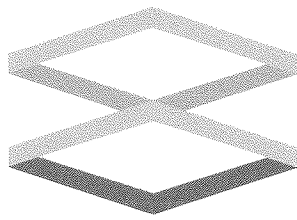
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CITY OF MILFORD  
OFFICIALS

<u>NAME</u>	<u>TITLE</u> (Before January 2014)	<u>TERM EXPIRES</u>
Donald Lamb	Mayor	January 1, 2014
Michael Anderson	Mayor Pro-Tem	January 1, 2014
Keith Feller	Council Member	January 1, 2014
Chris Hinshaw	Council Member	January 1, 2014
Rick Kilts	Council Member	January 1, 2016
Don Olsen	Council Member	January 1, 2016
Matthew Skaret	City Administrator/Treasurer	Indefinite
David Stein, Jr.	Attorney	Indefinite

(After January 2014)

Donald Lamb	Mayor	Resigned June 2014
Bill Reinsbach	Mayor (Effective June 2014)	January 1, 2016
Rick Kilts	Mayor Pro-Tem	Resigned June 2014
Rody Pederson	Mayor Pro-Tem (Effective June 2014)	January 1, 2016
Don Olsen	Council Member	January 1, 2016
Mary Kay Rolling	Council Member	January 1, 2018
Jason Simpson	Council Member	January 1, 2018
John Walters	Council Member	January 1, 2018
Matthew Skaret	City Administrator/Treasurer	To June 11, 2014
LeAnn Houge	City Administrator/Treasurer (Effective September 2014)	Indefinite
David Stein, Jr.	Attorney	To January 13, 2014
Kristina Gigstad	Attorney (Effective March 2014)	Indefinite



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## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and  
Members of the City Council:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the primary government of the City of Milford, Iowa, as of and for the year ended June 30, 2014, and the related Notes to the Financial Statements, which collectively comprise the basic financial statements of the City's primary government as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Basis for Adverse Opinion on Aggregate Discretely Presented Component Unit**

The financial statements referred to above do not include financial data for the City's legally separate component unit. Accounting principles for the basis of accounting described in Note 1 require financial data for the component unit to be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity that include the financial data for its component unit. The City has not issued such reporting entity financial statements. Because the Milford Municipal Utilities reports in accordance with accounting principles generally accepted in the United States of America, a different reporting framework than the City's basis of accounting described in Note 1, the amounts by which this departure would affect the receipts, disbursements and cash balances of the aggregate discretely presented component unit have not been determined.

### **Adverse Opinion on Aggregate Discretely Presented Component Unit**

In our opinion, because of the significance of the matter described in the "Basis for Adverse Opinion on Aggregate Discretely Presented Component Unit" paragraph, the financial statements referred to above do not present fairly the financial position of the aggregate discretely presented component unit of the City as of June 30, 2014, or the changes in cash basis financial position thereof for the year then ended in accordance with the basis of accounting described in Note 1.

### **Unmodified Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the primary government of the City of Milford as of June 30, 2014, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

### **Basis of Accounting**

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the City's primary government. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements of the City's primary government for the nine years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, budgetary comparison information on pages 20 through 22, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2014 on our consideration of the City of Milford's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulation, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Milford's internal control over financial reporting and compliance.

*Winther, Stave - Co., LLP*

October 31, 2014  
Milford, Iowa

## BASIC FINANCIAL STATEMENTS

CITY OF MILFORD  
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

		Program Receipts		
		Charges for	Operating	Capital
		Service	Grants and	Grants and
			Contributions	Contributions
FUNCTIONS/PROGRAMS:				
Governmental activities:				
Public safety .....	\$ 627,217	\$ 14,055	\$136,552	
Public works .....	414,397	3,573	289,376	
Health and social services .....	6,400			
Culture and recreation .....	415,402	2,294	27,090	
Community and economic development .....	290,772	25,748	43,413	
General government .....	342,104			
Debt service .....	702,675		94,971	
Capital projects .....	574,002			
Total governmental activities	<u>3,372,969</u>	<u>45,670</u>	<u>591,402</u>	
Business type activities:				
Solid waste .....	276,688	281,667		
Sewer .....	106,684	267,383		
Storm water .....	6,755	117,599		
Total business type activities	<u>390,127</u>	<u>666,649</u>		
TOTAL	<u>\$3,763,096</u>	<u>\$712,319</u>	<u>\$591,402</u>	

GENERAL RECEIPTS AND TRANSFERS:

Property and other city taxes levied for:	
General purposes .....	
Local option sales tax .....	
Debt service .....	
Tax increment financing .....	
Unrestricted interest on investments .....	
Payments made from refund bond escrow ..	
Additions to refund bond escrow .....	
Miscellaneous .....	
Transfers .....	
Total general receipts and transfers	

Change in cash basis net position

Cash basis net position beginning of year

Cash basis net position end of year

CASH BASIS NET POSITION

Restricted, expendable:	
Urban renewal .....	
Streets .....	
Capital projects .....	
Debt service .....	
Other purposes .....	
Unrestricted .....	

TOTAL CASH BASIS NET POSITION

See Notes to Financial Statements



# Exhibit A

Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
Governmental Activities	Business Type Activities	Total
\$ (476,610)		\$ (476,610)
(121,448)		(121,448)
(6,400)		(6,400)
(386,018)		(386,018)
(221,611)		(221,611)
(342,104)		(342,104)
(607,704)		(607,704)
(574,002)		(574,002)
<u>(2,735,897)</u>		<u>(2,735,897)</u>
	\$ 4,979	4,979
	160,699	160,699
	<u>110,844</u>	<u>110,844</u>
	<u>276,522</u>	<u>276,522</u>
<u>(2,735,897)</u>	<u>276,522</u>	<u>(2,459,375)</u>
1,223,452		1,223,452
553,649		553,649
170,012		170,012
480,140		480,140
23,311	676	23,987
42,263		42,263
(12,876)		(12,876)
67,309	6,070	73,379
105,031	(105,031)	
<u>2,652,291</u>	<u>(98,285)</u>	<u>2,554,006</u>
(83,606)	178,237	94,631
<u>3,890,784</u>	<u>218,145</u>	<u>4,108,929</u>
<u>\$3,807,178</u>	<u>\$396,382</u>	<u>\$4,203,560</u>
\$ 162,123		\$ 162,123
114,847		114,847
1,310,889		1,310,889
256,543		256,543
416,987		416,987
<u>1,545,789</u>	<u>\$396,382</u>	<u>1,942,171</u>
<u>\$3,807,178</u>	<u>\$396,382</u>	<u>\$4,203,560</u>

See Notes to Financial Statements

CITY OF MILFORD  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND  
CHANGES IN CASH BALANCES  
GOVERNMENTAL FUNDS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

		Special Revenue	
	General	Urban Renewal Tax Increment	Road Use
RECEIPTS:			
Property tax .....	\$ 974,665		
Tax increment financing .....		\$396,341	
Other city tax .....	553,649		
Licenses and permits .....	30,141		
Use of money and property .....	35,890	619	\$ 302
Intergovernmental .....	163,640		289,377
Charges for service .....	15,529		
Miscellaneous .....	19,166		16,980
TOTAL RECEIPTS	<u>1,792,680</u>	<u>396,960</u>	<u>306,659</u>
DISBURSEMENTS:			
Operating:			
Public safety .....	627,217		
Public works .....	66,718		347,679
Health and social services .....	6,400		
Culture and recreation .....	415,402		
Community and economic development .....	32,901		
General government .....	342,104		
Debt service .....			
Capital projects .....	188,348	296,366	
TOTAL DISBURSEMENTS	<u>1,679,090</u>	<u>296,366</u>	<u>347,679</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>113,590</u>	<u>100,594</u>	<u>(41,020)</u>
OTHER FINANCING SOURCES (USES):			
Payments made from refund bond escrow .....			
Additions to refund bond escrow .....			
Operating transfers in .....	244,508		28,704
Operating transfers out .....	(131,704)	(400,745)	
TOTAL OTHER FINANCING SOURCES (USES)	<u>112,804</u>	<u>(400,745)</u>	<u>28,704</u>
CHANGE IN CASH BALANCES	226,394	(300,151)	(12,316)
CASH BALANCES BEGINNING OF YEAR	<u>1,319,395</u>	<u>462,274</u>	<u>127,163</u>
CASH BALANCES END OF YEAR	<u>\$1,545,789</u>	<u>\$162,123</u>	<u>\$114,847</u>
CASH BASIS FUND BALANCES:			
Restricted for:			
Urban renewal .....		\$162,123	
Streets .....			\$114,847
Capital projects .....			
Debt service .....			
Other purposes .....			
Assigned for other purposes .....	\$ 96,010		
Unassigned .....	<u>1,449,779</u>		
TOTAL CASH BASIS FUND BALANCES	<u>\$1,545,789</u>	<u>\$162,123</u>	<u>\$114,847</u>

See Notes to Financial Statements

Exhibit B

<u>Capital Projects</u>	<u>Debt Service</u>	<u>Nonmajor</u>	<u>Total</u>
	\$170,012	\$248,787	\$1,393,464
		83,799	480,140
			553,649
			30,141
\$ 2,814	13,984	865	54,474
	94,972	43,413	591,402
			15,529
			36,146
<u>2,814</u>	<u>278,968</u>	<u>376,864</u>	<u>3,154,945</u>
			627,217
			414,397
			6,400
			415,402
	195,741	62,130	290,772
			342,104
	702,675		702,675
89,288			574,002
<u>89,288</u>	<u>898,416</u>	<u>62,130</u>	<u>3,372,969</u>
<u>(86,474)</u>	<u>(619,448)</u>	<u>314,734</u>	<u>(218,024)</u>
	42,263		42,263
	(12,876)		(12,876)
103,000	505,776		881,988
		(244,508)	(776,957)
<u>103,000</u>	<u>535,163</u>	<u>(244,508)</u>	<u>134,418</u>
16,526	(84,285)	70,226	(83,606)
<u>1,294,363</u>	<u>340,828</u>	<u>346,761</u>	<u>3,890,784</u>
<u>\$1,310,889</u>	<u>\$256,543</u>	<u>\$416,987</u>	<u>\$3,807,178</u>
			\$ 162,123
			114,847
\$1,310,889			1,310,889
	\$256,543		256,543
		\$416,987	416,987
			96,010
			<u>1,449,779</u>
<u>\$1,310,889</u>	<u>\$256,543</u>	<u>\$416,987</u>	<u>\$3,807,178</u>

See Notes to Financial Statements

CITY OF MILFORD  
 STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND  
 CHANGES IN CASH BALANCES  
 PROPRIETARY FUNDS  
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

	<u>Solid Waste</u>	<u>Sewer</u>	<u>Storm Water</u>	<u>Total</u>
OPERATING RECEIPTS:				
Charges for service .....	\$281,667	\$267,383	\$117,599	\$666,649
Use of money and property .....	268	155	253	676
Miscellaneous .....	<u>5,816</u>	<u>254</u>		<u>6,070</u>
TOTAL OPERATING RECEIPTS	<u>287,751</u>	<u>267,792</u>	<u>117,852</u>	<u>673,395</u>
OPERATING DISBURSEMENTS:				
Business type activities .....	<u>276,688</u>	<u>106,684</u>	<u>6,755</u>	<u>390,127</u>
TOTAL OPERATING DISBURSEMENTS	<u>276,688</u>	<u>106,684</u>	<u>6,755</u>	<u>390,127</u>
EXCESS OF OPERATING RECEIPTS OVER OPERATING DISBURSEMENTS	11,063	161,108	111,097	283,268
TRANSFERS OUT	<u>          </u>	<u>(105,031)</u>	<u>          </u>	<u>(105,031)</u>
CHANGE IN CASH BALANCES	11,063	56,077	111,097	178,237
CASH BALANCES BEGINNING OF YEAR .....	<u>117,805</u>	<u>42,408</u>	<u>57,932</u>	<u>218,145</u>
CASH BALANCES END OF YEAR	<u>\$128,868</u>	<u>\$ 98,485</u>	<u>\$169,029</u>	<u>\$396,382</u>
CASH BASIS FUND BALANCES:				
Unrestricted .....	<u>\$128,868</u>	<u>\$ 98,485</u>	<u>\$169,029</u>	<u>\$396,382</u>
TOTAL CASH BASIS FUND BALANCES	<u>\$128,868</u>	<u>\$ 98,485</u>	<u>\$169,029</u>	<u>\$396,382</u>

## NOTES TO FINANCIAL STATEMENTS

CITY OF MILFORD  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2014

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Milford, Iowa is a political subdivision of the State of Iowa located in Dickinson County. It was first incorporated in 1892 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides solid waste, sewer, and storm water utilities for its citizens.

**A. Reporting Entity**

For financial reporting purposes, the City's financial statements present the primary government of the City of Milford but do not include a component unit for which it is financially accountable. A primary government is a legal entity or body politic and includes all funds, organizations, agencies, boards, commissions and authorities that are not legally separate. A component unit is a legally separate entity for which the City is financially accountable.

The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. Since these financial statements do not include the City's component unit described below, they do not purport to be prepared in accordance with accounting principles generally accepted in the United States of America as they relate to the exclusion of the component unit.

Milford Municipal Utilities is considered a component unit of the City of Milford. The financial statements of this component unit are audited separately and are presented on the accrual basis of accounting. Complete financial statements of Milford Municipal Utilities can be obtained from their administrative offices.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Dickinson County Assessor's Conference Board, Upper Des Moines Opportunity Board, Dickinson County Emergency Management Commission, Dickinson County Water Quality Commission, Dickinson County Joint E911 Service Board, and Dickinson County Sanitary Landfill Commission.

**B. Basis of Presentation**

Government-wide Financial Statement - The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the primary government of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

CITY OF MILFORD  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2014

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in two categories:

*Expendable restricted net position* results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

*Unrestricted net position* consists of cash balances not meeting the definition of the preceding category. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions, and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

**Special Revenue:**

The Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Road Use Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Capital Projects Fund accounts for bond proceeds and other resources to be used for acquisition and construction of major capital facilities.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general obligation long-term debt.

CITY OF MILFORD  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2014

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

The City reports the following major proprietary funds:

The Solid Waste Fund accounts for the operation and maintenance of the City's solid waste utility.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Storm Water Fund accounts for the operation and maintenance of the City's storm water system.

**C. Measurement Focus and Basis of Accounting**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with accounting principles generally accepted in the United States of America.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

**D. Governmental Cash Basis Fund Balances**

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned - Amounts the Council intends to use for specific purposes.

Unassigned - All amounts not included in the preceding classifications.



CITY OF MILFORD  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2014

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**E. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2014, disbursements exceeded the amounts budgeted in the community and economic development function and the capital projects function.

**F. Use of Estimates**

The preparation of financial statements in conformity with an other comprehensive basis of accounting requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**G. Management's Review**

Management of the City has evaluated subsequent events through the date of the independent auditors' report, which is the date the financial statements were available to be issued.

**2. CASH AND POOLED INVESTMENTS**

The City's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

**3. BONDS PAYABLE**

Annual debt service requirements to maturity for general obligation bonds and a sewer revenue bond are as follows:

CITY OF MILFORD  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2014

**3. BONDS PAYABLE - Continued**

Year Ending June 30,	General Obligation Bonds		Sewer Revenue Bond		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 385,000	\$ 196,257	\$ 50,000	\$ 53,031	\$ 435,000	\$ 249,288
2016	595,000	185,894	55,000	51,532	650,000	237,426
2017	605,000	173,636	55,000	49,881	660,000	223,517
2018	635,000	160,019	55,000	48,231	690,000	208,250
2019	800,000	144,554	-	46,513	800,000	191,067
2020-2024	2,360,000	497,861	250,000	194,637	2,610,000	692,498
2025-2029	1,730,000	230,475	295,000	111,413	2,025,000	341,888
2030-2031	50,000	3,375	450,000	14,750	500,000	18,125
Totals	<u>\$7,160,000</u>	<u>\$1,592,071</u>	<u>\$1,210,000</u>	<u>\$569,988</u>	<u>\$8,370,000</u>	<u>\$2,162,059</u>

The Code of Iowa requires principal and interest on general obligation bonds be paid from the Debt Service Fund.

Revenue Bond

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$1,350,000 in sewer revenue bonds issued in June 2011. Proceeds from the bonds provided financing for the construction of sewer line improvements and extensions. The bonds are payable from sewer customer net receipts and are payable through 2031. Annual principal and interest payments on the bonds are expected to require less than 80% of net receipts. The total principal and interest remaining to be paid is \$1,779,988. For the current year, principal and interest paid and total customer net receipts were \$104,531 and \$161,108 respectively.

The resolution providing for the issuance of the revenue bonds includes the following provisions:

- a) The bonds will only be redeemed from the future earnings of the sewer utility and the bond holders hold a lien on the future earnings of the fund.
- b) Sufficient monthly transfers shall be made to a separate sewer revenue sinking fund account for the purpose of making the bond principal and interest payments when due. At June 30, 2014, a sinking fund balance of \$12,552 was maintained in the Debt Service Fund.
- c) A reserve fund shall be established and maintained at a minimum required amount. The balance in the reserve fund shall be used and is pledged for payment of the principal and interest if there are insufficient funds in the sinking fund. At June 30, 2014, a reserve fund balance of \$107,586 was maintained in the Debt Service Fund.

CITY OF MILFORD  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2014

**4. PENSION AND RETIREMENT BENEFITS**

The City contributes to the Iowa Public Employees' Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, IA 50306-9117.

Most regular plan members are required to contribute 5.95% of their annual covered salary and the City is required to contribute 8.93% of annual covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2014, 2013, and 2012, were \$71,163, \$67,224, and \$61,567, respectively, equal to the required contributions for each year.

**5. OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 14 active and no retired members in the plan. Retired participants must be age 55 or older at retirement. Benefits terminate upon attaining Medicare eligibility.

The medical/prescription drug benefits are provided through a fully-insured plan with Central States Southeast and Southwest. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees. The cost of retiree coverage is offset by the retiree contributions.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$1,104 for both single and family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2014, the City made no contributions to the retiree benefit plan.

**6. COMPENSATED ABSENCES**

City employees accumulate a limited amount of earned but unused vacation, sick leave and compensatory time for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation, sick leave and compensatory time payments payable to employees at June 30, 2014, primarily relating to the General Fund, is as follows:

CITY OF MILFORD  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2014

**6. COMPENSATED ABSENCES - Continued**

<u>Type of Benefit</u>	<u>Amount</u>
Vacation .....	\$26,100
Sick leave .....	42,600
Compensatory time .....	<u>9,900</u>
Total	<u>\$78,600</u>

The liability has been computed based on rates of pay in effect at June 30, 2014.

**7. INTERFUND TRANSFERS**

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue: Employee Benefits	<u>\$244,508</u>
Special Revenue: Road Use	General	<u>28,704</u>
Capital Projects	General	<u>103,000</u>
Debt Service	Special Revenue: TIF Supported Sewer	400,745
		<u>105,031</u>
Total to Debt Service		<u>505,776</u>
Total		<u>\$881,988</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

**8. LOCAL GOVERNMENT RISK POOL**

The City is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 700 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

CITY OF MILFORD  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2014

**8. LOCAL GOVERNMENT RISK POOL - Continued**

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2014 were \$72,868.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location. Property risks exceeding \$150,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss, or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any reinsurance and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred. As of June 30, 2014, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims

CITY OF MILFORD  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2014

**8. LOCAL GOVERNMENT RISK POOL - Continued**

expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The City also carries commercial insurance purchased from other insurers for coverage associated with workers' compensation. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**9. LITIGATION**

The City is party to routine legal proceedings and litigation arising in the normal course of governmental operations. These legal proceedings are not expected to have a material adverse impact on the City's financial condition.

**10. COMMITMENTS**

The City has entered into various developer agreements related to anticipated improvements in tax increment financing (TIF) districts. Developer agreement payments during the year ended June 30, 2014 totaling \$195,741 were made from the Debt Service Fund. Remaining commitments at June 30, 2014 related to the developer agreements were approximately \$2,700,000, consisting of approximately \$2,300,000 and \$400,000 for payments to developers and support of low to moderate income housing, respectively. Funding for the commitments will be obtained from TIF collections in the respective TIF districts.

Additionally, the City has committed to a construction contract totaling \$304,069. As of June 30, 2014, costs of \$176,162 have been incurred on the project. The remaining \$127,907 will be paid as work on the project progresses. The City intends to pay for this project from TIF collections.

In June 2014, the City entered into a severance agreement totaling \$41,265. Payments of \$12,325 were scheduled to be paid July 1, 2014. The remaining balance of \$28,940 will be paid over a period of four months ending in October 2014.

CITY OF MILFORD  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2014

**11. PROSPECTIVE ACCOUNTING CHANGE**

The Governmental Accounting Standards Board has issued Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB No. 27*. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information.

## OTHER INFORMATION



CITY OF MILFORD  
BUDGETARY COMPARISON SCHEDULE OF  
RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES -  
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS  
AND PROPRIETARY FUNDS  
OTHER INFORMATION (UNAUDITED)  
YEAR ENDED JUNE 30, 2014

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	<u>Total</u>
RECEIPTS:			
Property tax .....	\$1,393,464		\$1,393,464
Tax increment financing .....	480,140		480,140
Other city tax .....	553,649		553,649
Licenses and permits .....	30,141		30,141
Use of money and property .....	54,474	\$ 676	55,150
Intergovernmental .....	591,402		591,402
Charges for service .....	15,529	666,649	682,178
Miscellaneous .....	<u>36,146</u>	<u>6,070</u>	<u>42,216</u>
TOTAL RECEIPTS	<u>3,154,945</u>	<u>673,395</u>	<u>3,828,340</u>
DISBURSEMENTS:			
Public safety .....	627,217		627,217
Public works .....	414,397		414,397
Health and social services .....	6,400		6,400
Culture and recreation .....	415,402		415,402
Community and economic development .....	290,772		290,772
General government .....	342,104		342,104
Debt service .....	702,675		702,675
Capital projects .....	574,002		574,002
Business type activities .....		<u>390,127</u>	<u>390,127</u>
TOTAL DISBURSEMENTS	<u>3,372,969</u>	<u>390,127</u>	<u>3,763,096</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	(218,024)	283,268	65,244
OTHER FINANCING SOURCES (USES), NET	<u>134,418</u>	<u>(105,031)</u>	<u>29,387</u>
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES OVER (UNDER) DISBURSEMENTS AND OTHER FINANCING USES	(83,606)	178,237	94,631
BALANCES BEGINNING OF YEAR	<u>3,890,784</u>	<u>218,145</u>	<u>4,108,929</u>
BALANCES END OF YEAR	<u>\$3,807,178</u>	<u>\$396,382</u>	<u>\$4,203,560</u>

Budgeted Amounts		Final to Total Variance Positive (Negative)
<u>Original</u>	<u>Final</u>	
\$1,376,110	\$1,376,110	\$ 17,354
496,438	496,438	(16,298)
534,768	574,768	(21,119)
18,780	18,780	11,361
33,835	33,835	21,315
514,849	564,849	26,553
665,688	665,688	16,490
38,506	38,506	3,710
<u>3,678,974</u>	<u>3,768,974</u>	<u>59,366</u>
679,078	679,078	51,861
466,548	541,548	127,151
6,400	6,400	
474,052	474,052	58,650
147,013	197,013	(93,759)
364,165	379,165	37,061
864,629	874,629	171,954
395,500	520,500	(53,502)
437,520	437,520	47,393
<u>3,834,905</u>	<u>4,109,905</u>	<u>346,809</u>
(155,931)	(340,931)	406,175
		<u>29,387</u>
(155,931)	(340,931)	<u>\$435,562</u>
<u>3,416,285</u>	<u>3,416,285</u>	
<u>\$3,260,354</u>	<u>\$3,075,354</u>	

CITY OF MILFORD  
NOTES TO OTHER INFORMATION - BUDGETARY REPORTING  
JUNE 30, 2014

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$275,000. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2014, disbursements exceeded the amounts budgeted in the community and economic development function and the capital projects function.

## SUPPLEMENTARY INFORMATION

CITY OF MILFORD  
 SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS  
 AND CHANGES IN CASH BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 AS OF AND FOR YEAR ENDED JUNE 30, 2014

	<u>Special Revenue</u>		
	Employee	LMI Housing	
	<u>Benefits</u>	<u>Fund</u>	<u>Total</u>
RECEIPTS:			
Property tax .....	\$248,787		\$248,787
Tax increment financing .....		\$ 83,799	83,799
Use of money and property .....		865	865
Intergovernmental .....		<u>43,413</u>	<u>43,413</u>
TOTAL RECEIPTS .....	<u>248,787</u>	<u>128,077</u>	<u>376,864</u>
DISBURSEMENTS:			
Community and economic development ...		<u>62,130</u>	<u>62,130</u>
TOTAL DISBURSEMENTS .....		<u>62,130</u>	<u>62,130</u>
EXCESS OF RECEIPTS OVER DISBURSEMENTS	248,787	65,947	314,734
OTHER FINANCING USES:			
Operating transfers out .....	<u>(244,508)</u>		<u>(244,508)</u>
CHANGE IN CASH BALANCES	4,279	65,947	70,226
CASH BALANCES BEGINNING OF YEAR	<u>11,108</u>	<u>335,653</u>	<u>346,761</u>
CASH BALANCES END OF YEAR	<u>\$ 15,387</u>	<u>\$401,600</u>	<u>\$416,987</u>
CASH BASIS FUND BALANCES:			
Restricted for other purposes .....	<u>\$ 15,387</u>	<u>\$401,600</u>	<u>\$416,987</u>
TOTAL CASH BASIS FUND BALANCES	<u>\$ 15,387</u>	<u>\$401,600</u>	<u>\$416,987</u>

CITY OF MILFORD  
SCHEDULE OF INDEBTEDNESS  
YEAR ENDED JUNE 30, 2014

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General obligation bonds:			
Fire station construction	June 1, 2009	2.50% - 4.75%	\$2,630,000
Street improvements	September 1, 2009	3.00% - 3.60%	1,700,000
Street improvements	May 1, 2010	3.00% - 4.00%	550,000
Storm sewer improvements	July 1, 2011	2.50% - 4.50%	325,000
Street improvements	August 1, 2012	0.70% - 2.40%	560,000
Refunding bonds	April 29, 2013	0.50% - 2.50%	2,750,000
Total			
Revenue bond:			
Sewer improvements	June 1, 2011	3.00% - 5.00%	1,350,000

## Schedule 2

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>
\$2,230,000		\$105,000	\$2,125,000	\$ 92,461
1,240,000		165,000	1,075,000	39,573
460,000		50,000	410,000	15,388
305,000		10,000	295,000	11,550
560,000		55,000	505,000	8,710
<u>2,750,000</u>	<u>          </u>	<u>          </u>	<u>2,750,000</u>	<u>42,263</u>
<u>\$7,545,000</u>	<u>          </u>	<u>\$385,000</u>	<u>\$7,160,000</u>	<u>\$209,945</u>
 <u>\$1,260,000</u>	 <u>          </u>	 <u>\$ 50,000</u>	 <u>\$1,210,000</u>	 <u>\$ 54,531</u>

CITY OF MILFORD  
BOND MATURITIES  
JUNE 30, 2014

Year Ending June 30,	General Obligation Bonds					
	Fire Station Construction		Street Improvements		Street Improvements	
	Issued June 1, 2009		Issued September 1, 2009		Issued May 1, 2010	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2015	3.125%	\$ 105,000	3.00%	\$ 165,000	3.00%	\$ 50,000
2016	3.250	110,000	3.00	170,000	3.00	55,000
2017	4.000	115,000	3.00	175,000	3.00	55,000
2018	4.000	120,000	3.25	185,000	3.25	60,000
2019	4.000	125,000	3.40	185,000	3.50	60,000
2020	4.000	125,000	3.60	195,000	3.75	65,000
2021					4.00	65,000
2022	4.000	275,000				
2023						
2024	4.150	295,000				
2025						
2026	4.500	320,000				
2027						
2028						
2029	4.750	535,000				
2030						
2031						
Total		<u>\$2,125,000</u>		<u>\$1,075,000</u>		<u>\$410,000</u>

Year Ending June 30,	Revenue Bonds		Total
	Sewer Improvements		
	Issued June 1, 2011		
	Interest Rates	Amount	
2015	3.000%	\$ 50,000	\$ 435,000
2016	3.000	55,000	650,000
2017	3.000	55,000	660,000
2018	3.125	55,000	690,000
2019		*	800,000
2020		*	815,000
2021		*	300,000
2022	4.000	250,000	765,000
2023		*	245,000
2024		*	485,000
2025		*	195,000
2026	4.750	295,000	810,000
2027		*	195,000
2028		*	170,000
2029		*	655,000
2030		*	25,000
2031	5.000	<u>450,000</u>	<u>475,000</u>
Total		<u>\$1,210,000</u>	<u>\$8,370,000</u>

\* The City of Milford reserves the right to optionally prepay part or all of the principal of the bonds maturing in the years 2022 to 2031



## Schedule 3

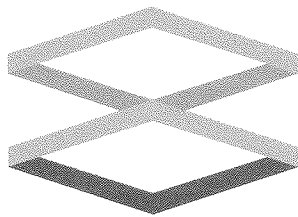
General Obligation Bonds					
Storm Sewer Imprv		Street Improvements		Refunding Bonds	
Issued July 1, 2011		Issued August 1, 2012		Issued April 29, 2013	
Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2.50%	\$ 10,000	0.7%	\$ 55,000		
2.50	15,000	1.1	55,000	0.50%	\$ 190,000
2.50	15,000	1.1	55,000	0.60	190,000
2.50	15,000	1.5	55,000	0.75	200,000
2.50	15,000	1.5	55,000	0.90	360,000
4.00	15,000	1.2	55,000	1.10	360,000
4.00	15,000	1.2	55,000	1.30	165,000
4.00	15,000	2.4	60,000	1.50	165,000
4.00	15,000	2.4	60,000	1.70	170,000
4.00	15,000			1.80	175,000
4.00	20,000			2.00	175,000
4.00	20,000			2.10	175,000
4.50	20,000			2.25	175,000
4.50	20,000			2.50	150,000
4.50	20,000			2.50	100,000
4.50	25,000				
4.50	25,000				
	<u>\$295,000</u>		<u>\$505,000</u>		<u>\$2,750,000</u>

CITY OF MILFORD  
SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION  
ALL GOVERNMENTAL FUNDS  
FOR THE LAST TEN YEARS

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
RECEIPTS:				
Property tax .....	\$1,393,464	\$1,375,011	\$1,538,810	\$1,491,754
Tax increment financing .....	480,140	464,601	281,110	225,493
Other city tax .....	553,649	556,430	488,393	413,818
Licenses and permits .....	30,141	36,144	37,732	29,632
Use of money and property .....	54,474	39,505	42,158	43,611
Intergovernmental .....	591,402	515,149	513,218	824,678
Charges for service .....	15,529	7,008	13,233	5,598
Miscellaneous .....	<u>36,146</u>	<u>83,749</u>	<u>89,336</u>	<u>121,126</u>
TOTAL	<u>\$3,154,945</u>	<u>\$3,077,597</u>	<u>\$3,003,990</u>	<u>\$3,155,710</u>
DISBURSEMENTS:				
Operating:				
Public safety .....	\$ 627,217	\$ 638,859	\$ 647,285	\$ 529,585
Public works .....	414,397	322,293	350,680	357,137
Health and social services .....	6,400	6,400	5,000	5,000
Culture and recreation .....	415,402	436,565	430,698	450,522
Community and economic development .....	290,772	36,624	36,052	30,614
General government .....	342,104	345,749	349,628	350,141
Debt service .....	702,675	770,670	585,673	424,579
Capital projects .....	<u>574,002</u>	<u>540,873</u>	<u>1,861,847</u>	<u>1,141,402</u>
TOTAL	<u>\$3,372,969</u>	<u>\$3,098,033</u>	<u>\$4,266,863</u>	<u>\$3,288,980</u>

## Schedule 4

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$1,360,705	\$1,243,888	\$1,012,195	\$ 854,348	\$ 742,912	\$ 678,423
		6,506	439,576	587,556	513,594
364,434	403,048	397,976	452,801	375,046	381,954
28,047	34,684	40,039	35,620	54,283	23,379
23,202	26,436	82,748	122,466	79,898	34,081
470,113	338,920	288,998	297,225	290,803	308,921
4,969	5,114	4,831	41,218	75,373	16,355
<u>87,404</u>	<u>73,829</u>	<u>77,168</u>	<u>57,989</u>	<u>80,549</u>	<u>191,023</u>
<u>\$2,338,874</u>	<u>\$2,125,919</u>	<u>\$1,910,461</u>	<u>\$2,301,243</u>	<u>\$2,286,420</u>	<u>\$2,147,730</u>
\$ 505,149	\$1,280,653	\$ 451,851	\$ 439,550	\$ 354,577	\$ 439,934
370,621	338,493	265,510	405,658	407,159	327,265
5,000	1,000	1,000	2,000	2,100	3,511
370,900	464,420	360,011	315,669	286,487	233,151
26,426	29,458	29,218	38,422	71,418	62,476
344,955	303,251	285,685	296,173	317,285	271,992
369,947	107,879	98,788	134,562	159,643	271,401
<u>3,501,427</u>	<u>538,593</u>	<u>524,647</u>	<u>730,810</u>	<u>45,126</u>	<u>122,584</u>
<u>\$5,494,425</u>	<u>\$3,063,747</u>	<u>\$2,016,710</u>	<u>\$2,362,844</u>	<u>\$1,643,795</u>	<u>\$1,732,314</u>



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INDEPENDENT AUDITORS' REPORT  
ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Honorable Mayor and  
Members of the City Council:

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the primary government of the City of Milford, Iowa as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the basic financial statements of the City's primary government, and have issued our report thereon dated October 31, 2014. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than accounting principles generally accepted in the United States of America.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Milford's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Milford's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Milford's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified a certain deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable

possibility a material misstatement of City of Milford's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-A-14 to be a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the financial statements of the primary government of the City of Milford are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the primary government of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

### **City of Milford's Responses to Findings**

City of Milford's responses to findings identified in our audit are described in the accompanying Schedule of Findings. City of Milford responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Milford during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Wintner, Stave & Co., LLP*

CITY OF MILFORD  
SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2014

**Part I: Findings Related to the Financial Statements**

**INTERNAL CONTROL DEFICIENCY:**

I-A-14 Segregation of Duties - One important aspect of internal control over financial reporting is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted employees were performing incompatible functions.

Recommendation - We realize that it is difficult to appropriately segregate duties when the number of employees is limited. Therefore, we recommend the Council maintain its diligence in the review of the financial records.

Response - We will continue our review.

Conclusion - Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

CITY OF MILFORD  
SCHEDULE OF FINDINGS - Continued  
YEAR ENDED JUNE 30, 2014

**Part II: Other Findings Related to Required Statutory Reporting**

- II-A-14 Certified Budget - Disbursements during the year ended June 30, 2014 exceeded the amounts budgeted in the community and economic development function and the capital projects function. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The budget will be amended in the future, if applicable.

Conclusion - Response accepted.

- II-B-14 Questionable Disbursements - We noted no expenditures for parties, banquets, or other entertainment for employees that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

- II-C-14 Travel Expense - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

- II-D-14 Business Transactions - No business transactions between the City and City officials or employees were noted.

- II-E-14 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

- II-F-14 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

- II-G-14 Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

- II-H-14 Revenue Bond - No instances of noncompliance with the revenue bond and note resolutions were noted.

CITY OF MILFORD  
SCHEDULE OF FINDINGS - Continued  
YEAR ENDED JUNE 30, 2014

**Part II: Other Findings Related to Required Statutory Reporting** - Continued

- II-I-14    Tax Increment Financing (TIF) - Chapter 403.19 of the Code of Iowa provides a municipality may certify loans, advances, indebtedness and bonds (indebtedness) to the County Auditor which qualify for reimbursement from incremental property tax. The County Auditor provides for the division of property tax to repay the certified indebtedness and provides available incremental property tax in subsequent fiscal years without further certification by the City until the amount of certified indebtedness is paid.

We noted the following regarding the City's procedures for recording TIF receipts and disbursements:

- Currently, certain TIF revenues related to low and moderate income (LMI) allocations are recorded directly into a separate LMI fund established for expending LMI assistance. We recommend all TIF revenues be recorded in the Urban Renewal Tax Increment (URTI) fund, with a transfer made to the LMI Housing fund for applicable LMI allocations.
- Currently, transfers are made from the URTI fund to the Debt Service fund for developer rebate agreements paid from the Debt Service fund. We recommend the developer rebate payments be made directly from the URTI fund.
- Currently certain capital project expenditures for urban renewal purposes are paid directly from the URTI fund. We recommend such expenditures be paid from the Capital Projects fund. Typically payments from the URTI fund should be made only for TIF indebtedness payments.

Recommendation - The City should consider modification to its procedures of recording TIF receipts and disbursements to reflect activity in a more consistent manner.

Response - The City will consider revising procedures to record TIF activity in a more consistent manner.

Conclusion - Response accepted.

- II-J-14    Annual Urban Renewal Report - The FY2013 annual urban renewal report was properly approved and certified to the Iowa Department of Management on or before December 1. However, the following exceptions were noted:

- The City's beginning and ending cash balances of the Special Revenue, Urban Renewal Tax Increment Fund and beginning and ending cash balances restricted for low and moderate income as reported on the FY2013 Levy Authority Summary do not agree with the City's general ledger.



CITY OF MILFORD  
SCHEDULE OF FINDINGS - Continued  
YEAR ENDED JUNE 30, 2014

**Part II: Other Findings Related to Required Statutory Reporting** - Continued

- Several variances were noted between the activity for the FY2013 Special Revenue, Urban Renewal Tax Increment Fund reported on the Levy Authority Summary and the City's general ledger.
- The amount reported by the City as TIF debt outstanding was overstated on the FY2013 Levy Authority Summary.

Recommendation - The City should ensure that the cash balances and debt amounts reported on the Levy Authority Summary agree with the City records.

Response - These items will be corrected on next year's report.

Conclusion - Response accepted.

II-K-14 Urban Renewal Tax Reconciliation - We were unable to obtain an Urban Renewal tax reconciliation from the County.

Recommendation - Since the County has not prepared the reconciliation the City should continue to monitor their TIF obligations.

Response - We will monitor our TIF obligations and notify the County about preparing a reconciliation.

Conclusion - Response accepted.